

JOSEPH L. McGAVICK
Chairman

MIKE MURPHY
Board Member

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Board Member



STATE OF WASHINGTON

WASHINGTON STATE LIQUOR CONTROL BOARD

1025 E Union • PO Box 43075 • Olympia WA 98504-3075 • (206) 753-6262

TO: The Board
FROM: M. Carter Mitchell
DATE: August 29, 1994
RE: 1995 BOARD REQUESTED LEGISLATIVE PACKAGE

For the staff meeting discussion Tuesday, August 30, 1994 the attached documentation comprises the existing draft agency request legislation. The paperwork may seem large, but please remember each bill draft contains all the language of any laws for which modifications have been proposed. Your packages also include all of the language for justifications which as mandated by OFM. The fiscal notes are for the material as presented. In the past, you have reviewed the proposals and fiscal impacts, but have not had all of the language and boiler plate in your packets. We hope this complete package will give you a clear view of everything that needs to go to OFM for agency request proposals.

The time table is:

Tuesday, August 30: Initial review of what the recommendations will do if adopted.
Wednesday, August 31: Board decisions and final cuts to proposals.
Thursday, September 1: Any revisions/deletions to Code Reviser for final drafts.
Corrections picked up Friday (9/2) and Tuesday (9/6).
Tuesday, September 6: Chairman signs letter to OFM and package is submitted on scheduled due date.

Original proposals from the Enforcement and Regulatory Services branches went to the Board on August 19 and August 22 respectively. The documentation before you Tuesday is the same as you reviewed earlier, only in some cases in omnibus bill format and in other cases, as completed packages.

Using this year's system of having the entire package available to you, it is hoped the final recommendations including any deletions or changes will be made Tuesday during the staff discussion or on Wednesday when you formally adopt the package and the Code Reviser finals done on time.

As of today, if everything goes as presented, the only work that has yet to be finished is on Z-0222.1/95, Mandatory Server Training. A comprehensive draft has been developed, it needs to be thoroughly discussed with the Licensed Beverage Association, Restaurant Association, retail associations, unions, etc., but the important thing is that virtually the best of the past proposals have been rolled into one that can and should work! If the Board

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PLAINTIFF'S EXHIBIT	
CASE NO.	CV04-0360P
EXHIBIT NO.	113

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approves of the Mandatory Server Training Program as shown in the rough draft, the meetings with the organizations and associations will be held to try and resolve differences. Something must go to OFM that is different from that presented in the past and the current proposal is a streamlined version of what has gone before.

Your package contains the following items:

Z-0214.1/95 Omnibus Bill Making Improvements to the Licensing Section of the Liquor Act.

Composed of seven sections, the omnibus bill will cover:

1. Amending RCW 66.24.010(2) allowing the Board to designate someone to approve liquor licenses; and, RCW 66.24.010(11) eliminating temporary operating permits from being used for transfers of licenses.
2. Amending RCW 66.24.025 to repeal transfers of licenses and require instead that such actions be new applications.
3. Amending RCW 66.24.210 to repeal the revenue stamp mandate since such stamps are no longer in use nor have they been for the past decade. (housekeeping)
4. Amending RCW 66.24.290 and 300 to eliminate the need for tax stamps since they have not been used for the past decade. (housekeeping)
5. Amending RCW 66.24.320 and 330 to remove the 7 3/4 gallon limitation on what can be sold since keg registration covers anything four gallons or more. (housekeeping)
6. Amending RCW 66.24.490 to eliminate the one day (\$25) class I license fee which was inadvertently left in last session's legislation on an annual class I license. (housekeeping)
7. Amending RCW 66.28.110 to eliminate the need for alcohol content to be listed on wine when the product is classified as "table wine". Observe federal regulations since that is what the Board uses for label approvals anyway.

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Z-0223.2/95 Omnibus Bill Making Improvements to the Enforcement Sections of the Liquor Act.

Composed of five sections, the omnibus bill will cover:

1. Amending RCW 66.12.120 to allow for private citizens to import from another state no more than two liters of spirits or wine or 288 ounces of beer once each month for personal use.
2. Amending RCW 66.16.040 to allow for ANY military ID card to be acceptable for proof of age. Current restriction is active duty only.
3. Creating a new section allowing 18-21 year olds to perform certain duties and work functions in nonretail premises.
4. Adding another new section which provides for compensating those who provide information leading to arrest and conviction of liquor law violators up to \$1,000.
5. Amending RCW 66.28.042 and 043 to remove the sunset clause on trade spending statutes.

Z-0221.1/95 Amending RCW 70.155.110 to authorize the Board to adopt rules for tobacco enforcement. (Clarifies the Board's authority to make rule.)

Z-0196.1/95 Amending RCW 66.28.180 to eliminate mandatory price postings as they exist now and create a different procedure for obtaining same information.

Z-0010.2/95 Amending RCW 41.06.070 to remove liquor vendors from personnel appeals jurisdiction. Also authorize vendors to purchase, at their expense, medical insurance, through state group rates.

Z-0215.1/95 Amending "tied house" statutes to allow for A, B, C, D or H licensees to apply for either a brewery or domestic winery license.

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Z-0222.1/95 Mandatory Server Training (basic draft to keep it going as further work is done w/Licensed Beverage Association/Restaurant Association, unions, retailers, etc.)

The omnibus bills were designed to group specific changes which would be relatively non-controversial. Anything which might "bog-down" the omnibus bills was kept as an individual bill.

I expect the Tuesday session should take no more than one hour, perhaps much less as very little of what is being proposed should be of a controversial nature among the three of you. The majority of the time will probably be spent discussing price postings, compensation for information and server training.

WASHINGTON STATE LIQUOR CONTROL BOARD
1995 REQUEST LEGISLATION - Bill Classification: Category B
Z-0196.1/95: PRICE POSTINGS - RCW 66.28.180

OVERALL PURPOSE AND INTENT OF LEGISLATION:

RCW 66.28.180 requires price postings by wholesalers and manufacturers of malt liquor, beer and wine. The current process is very heavily oriented to paper and is labor intensive. A computerized system has been developed. The system began about a year ago and currently has about 15 percent of the possible licensees (approx. 30 out of 200) involved at this point. About \$ 44,000 in salaries has been expended thus far in development costs, plus substantial support for new users including free software.

The primary objective of price postings, which began many years ago, is to preclude the sale of products at unfair prices, most easily achieved when one sells for below cost. The Board reviews price postings when there is a complaint filed against either a manufacturer or wholesaler. Under the proposed change, postings could still be reviewed by the Board by field agents comparing posted prices with those that are claimed to be in use.

The prices posted with the Board are collected and distributed by at least one private organization to all of the wholesalers/distributors on a monthly basis. Under the proposal, this same opportunity would exist because the posted prices would have to be made available to anyone who asked to see the documents. Compilation of a monthly summation would still be possible.

Retaining records in the respective licensees' places of business will still ensure that such information is available, but yet in a more reasonable and cost efficient manner.

MAJOR PROVISIONS OF PROPOSAL:

1. Eliminates monthly posting approval by the Board.
2. Requires individual manufacturers, wholesalers and importers to maintain notarized postings at their respective businesses
3. Requires such postings be open for inspection.
4. Prohibits changes to postings other than for specific distress purposes.
5. Prohibits any quantity discounts to be offered.
6. Requires one set of postings be provided to the Board for filing and review by anyone interested.

GOVERNMENT AGENCIES IMPACTED BY PROPOSAL:

None other than WSLCB.

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STAKEHOLDERS AND THEIR POSITIONS:

PROPOSERS:

WSLCB

Some wholesalers as individual licensees

Some manufacturers as individual licensees

OPPOSERS:

Beer and Wine Wholesalers Association (Phil Wayt - 352-5252)

Some retailers

Some manufacturers as individual licensees

SPECIAL NOTE:

As a result of the budgetary reduction mandated in 1993, the price postings program was identified as one program which could be eliminated. In order to eliminate the function, the statute requiring the Board to perform the duties (RCW 66.28.180) had to be amended during the 1994 session. A bill was prepared pursuant to instructions from OFM. When circulated, no legislators on the Senate Labor and Commerce Committee would sign as sponsors. In the House Commerce and Labor Committee, Chairman Heavey sponsored the bill, but it did not receive a hearing. There was considerable opposition from the wholesalers association. An organized effort to prevent a hearing in either chamber will result from introduction of the legislation unless some form of agreement can be worked out with the Beer and Wine Wholesalers.

FISCAL IMPACT:

By eliminating the need to have price postings filed with the Board on a monthly basis, the Board would be able to avoid at least 2.0 FTE's representing approximately \$ 64,000 for that activity. These FTE's would likely be reassigned within the Licensing Services Section where they would perform functions directly associated with processing applications for liquor licenses. Because of the transfer to the license technician section, there would be no fiscal impact, but an important public service could be staffed more effectively.

AGENCY PERSONNEL TO BE CONTACTED:

Policy Questions: M. Carter Mitchell, Public Information Officer/Legislative
Liaison, 753-6276

Legal Counsel: Kim O'Neal, Assistant Attorney General, 586-7843

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FISCAL NOTE

REQUEST NO. 95-03

BILL NO. Z-0196.1	RESPONDING AGENCY Washington State Liquor Control Board	CODE 195
TITLE AN ACT RELATING TO elimination of monthly price postings for Board approval.	APPROVED BY James E. Hoing, Controller	DATE 30-Aug-94
	PREPARED BY Kathy Wilson, Management Analyst	SCAN 753-6290
HEARING DATE & TIME	REVIEWED BY OFM	DATE

Fiscal impact of the above legislation on Washington State government is estimated to be:

- ☐ NONE
☐ AS SHOWN BELOW
☐ INDETERMINATE
☒ COSTS CAN BE ABSORBED

REVENUE TO:

First Biennium 1995-1997

FUND	SOURCE	CODE	1ST YEAR	2ND YEAR	TOTAL	2ND BIENNIUM	3RD BIENNIUM
GF-STATE					0		
GF-FED					0		
OTHER*					0		
					0		
					0		
<i>*Identify</i> TOTALS			0	0	0	0	0

EXPENDITURES FROM:

FUND	CODE						
GENERAL FUND-STATE	001-1				0		
GENERAL FUND-FEDERAL	001-2				0		
OTHER*					0		
					0		
					0		
<i>*Identify</i> TOTALS		0	0	0	0	0	0

EXPENDITURES BY OBJECT OR PURPOSE:

FTE STAFF YEARS			0.0		
SALARIES AND WAGES			0		
EMPLOYEE BENEFITS			0		
PERSONAL SERVICE CONTRACTS			0		
GOODS AND SERVICES			0		
TRAVEL			0		
EQUIPMENT			0		
GRANTS AND SUBSIDIES			0		
DEBT SERVICE			0		
INTERAGENCY REIMBURSEMENT			0		
TOTALS			0	0	0

Check boxes applicable to the above legislation and provide explanation on FN-2:

- ☐ CASH FLOW IMPACT
☐ CAPITAL BUDGET IMPACT
☒ REQUIRES NEW RULE MAKING

Above legislation has fiscal impact on local government: ☐

Liquor Control Board 195

8/26/94

Z - 0196.1

Bill Summary:

1 Assumes effective date of 7/1/95.

2 Ammends RCW 66.28.180:

Eliminates monthly price posting approval by the Board

Requires notarized price postings to be on file at the board licensed location for review by anyone requesting to see them.

Prices are to be set for the entire month

Prices can be changed during the first three business days of the month, to meet competitive issues.

Prohibits changes to postings for other than specific distress purposes

Prohibits quantity discounts.

Requires a set of postings be provided to the Board for filing and review by interested parties.

Impact on Agency:

Elimination of these activities would allow reassignment of staff (2 FTE's) to the licensing technician program.

This transfer of staff would fill needed functions in issuance of licenses and provide an important public service.

New Rule Making:

1 This change would not appear to affect another agency having authority over the same subject matter.

2 Entities potentially affected by legislation change would include beer and wine wholesalers, some retailers, & manufacturers.

3 Fiscal impact for implementation of rule changes as follows:

Mailing of 400 news releases to newspapers, news media, and interested persons statewide.

400 envelopes @ \$.05 20

Paper Costs 6

Mailing cost @ \$.52/pkg. 208

Total mailing cost: 234

Staff time spent on rule/hearing process:

	Salary	Benefits	Total
Assistant Director (@ 4 hours @26.29/hr.)	105.16	21.66	126.82
Public Information Officer (@1 hour @22.14/hr.)	22.14	5.25	27.39
Secretary 2 (@3 hours @13.22/hr.)	26.44	5.91	32.35
3 Board Members (@15 minutes @\$31.35/hr. ea.)	23.52	5.46	28.98
Total staffing cost			215.54

Total cost of hearings estimated to be \$450

1 AN ACT Relating to price postings for beer and wine; and amending
2 RCW 66.28.180.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 Sec. 1. RCW 66.28.180 and 1985 c 226 s 4 are each amended to read
5 as follows:

6 ~~((It is unlawful for))~~ A person, firm, or corporation holding a
7 certificate of approval issued under RCW 66.24.270 or 66.24.206, a beer
8 wholesaler's license, a brewer's license, a beer importer's license, a
9 domestic winery license, a wine importer's license, or a wine
10 wholesaler's license within the state of Washington ~~((to modify any
11 prices without prior notification to and approval of the board))~~ shall
12 meet the following requirements:

13 (1) Prices of all liquor products sold by licensees identified in
14 this section must be on file at the business location licensed by the
15 board. Such price listings must be notarized by the first working day
16 of the month and made available for inspection by anyone who requests
17 them during normal business hours.

18 (2) Prices are to be set for the entire calendar month.

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Code Rev/RJS:mos

1

Z-0196.1/95

- 1 (3) Prices may be changed during the first three business days of
2 the month, by all parties, to meet competitive issues.
- 3 (4) Prices may be changed for distress situations, such as beer
4 nearing the end of the shelf life as established by the manufacturer's
5 coding. Prices may only be reduced on the product in distress, not all
6 like items in inventory, and only for small quantities, fewer than
7 fifty cases, of age-dated products for less than thirty days from the
8 expiration date.
- 9 (5) Beer and wine may not be sold at a price less than its cost of
10 acquisition.
- 11 (6) A current and valid set of price postings must be provided
12 directly to the board and must be available for inspection and copying.
- 13 (7) The board's staff may inspect such postings either at its
14 offices or at the licensee's place of business.
- 15 (8) Quantity discounts are prohibited.

--- END ---

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Code Rev/RJS:mos

2

Z 0196.1/95

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